

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

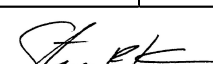
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham &amp; Alfrey, P.C.</i> 			Date	

**Township of Lafayette  
Gratiot County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2004**

Township of Lafayette  
Gratiot County, Michigan  
March 31, 2004  
BOARD OF TRUSTEES

Brian Gulick	Supervisor
Angela Kohtala	Clerk
Bonnie Aldrich	Treasurer
Linda Stoneman	Trustee
Julie Bolt	Trustee

Township of Lafayette

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William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Township of Lafayette  
Lafayette, Michigan

We have audited the accompanying general purpose financial statements of the Township of Lafayette, Michigan as of and for the year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Lafayette, Michigan as of March 31, 2004, and the results of its operations and cash flows of its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Lafayette, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

July 6, 2004

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

Township of Lafayette

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

March 31, 2004

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	
ASSETS				
Cash	\$ 118,624	\$ 26,362	\$ -	\$ 144,986
Investments	60,662	-	-	60,662
Taxes receivable	8,224	-	-	8,224
Due from other funds	24,883	-	-	24,883
Fixed assets	<u>-</u>	<u>-</u>	<u>106,987</u>	<u>106,987</u>
TOTAL ASSETS	<u>\$ 212,393</u>	<u>\$ 26,362</u>	<u>\$ 106,987</u>	<u>\$ 345,742</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 203	\$ -	\$ -	\$ 203
Accrued liabilities	2,626	-	-	2,626
Due to other funds	<u>-</u>	<u>24,883</u>	<u>-</u>	<u>24,883</u>
TOTAL LIABILITIES	2,829	24,883	-0-	27,712
FUND EQUITY				
Investment in general fixed assets	-	-	106,987	106,987
Fund balance				
Reserved for cemetery care	-	1,479	-	1,479
Unreserved				
Undesignated	<u>209,564</u>	<u>-</u>	<u>-</u>	<u>209,564</u>
TOTAL FUND EQUITY	<u>209,564</u>	<u>1,479</u>	<u>106,987</u>	<u>318,030</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 212,393</u>	<u>\$ 26,362</u>	<u>\$ 106,987</u>	<u>\$ 345,742</u>

See accompanying notes to general purpose financial statements.

Township of Lafayette

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GENERAL FUND

Year Ended March 31, 2004

REVENUES

Taxes	\$ 79,042
Intergovernmental - State	59,865
Charges for services	4,700
Interest and rents	1,978
Other	<u>312</u>

TOTAL REVENUES	145,897
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EXPENDITURES

General government	57,674
Public safety	20,019
Public works	<u>62,890</u>

TOTAL EXPENDITURES	<u>140,583</u>
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EXCESS OF REVENUES OVER EXPENDITURES	5,314
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Fund balance, beginning of year	<u>204,250</u>
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Fund balance, end of year	<u>\$ 209,564</u>
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See accompanying notes to general purpose financial statements.



Township of Lafayette

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND

Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 80,900	\$ 79,042	\$( 1,858 )
Intergovernmental - State	45,000	59,865	14,865
Charges for services	3,500	4,700	1,200
Interest and rents	3,350	1,978	( 1,372 )
Other	<u>500</u>	<u>312</u>	<u>( 188 )</u>
TOTAL REVENUES	133,250	145,897	12,647
EXPENDITURES			
General government	64,740	57,674	7,066
Public safety	19,200	20,019	( 819 )
Public works	<u>60,917</u>	<u>62,890</u>	<u>( 1,973 )</u>
TOTAL EXPENDITURES	<u>144,857</u>	<u>140,583</u>	<u>4,274</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	( 11,607 )	5,314	16,921
Fund balance, beginning of year	<u>204,250</u>	<u>204,250</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 192,643</u>	<u>\$ 209,564</u>	<u>\$ 16,921</u>

See accompanying notes to general purpose financial statements.

Township of Lafayette

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE -  
NONEXPENDABLE TRUST FUND

Year Ended March 31, 2004

	Fiduciary Fund Type Nonexpendable Trust Fund (Cemetery Endowment)
OPERATING REVENUES	\$ -
OPERATING EXPENSES	<u>-</u>
OPERATING INCOME	-0-
NONOPERATING REVENUES	
Interest revenue	<u>10</u>
NET INCOME	10
Fund balance, beginning of year	<u>1,469</u>
Fund balance, end of year	<u>\$ 1,479</u>

See accompanying notes to general purpose financial statements.

Township of Lafayette

STATEMENT OF CASH FLOWS -  
NONEXPENDABLE TRUST FUND

Year Ended March 31, 2004

	Fiduciary Fund Type Nonexpendable Trust Fund (Cemetery Endowment)
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ _____ -
NET CASH USED BY OPERATING ACTIVITIES	-0-
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	_____ 10
NET INCREASE IN CASH DURING YEAR	10
Cash, beginning of year	_____ 1,469
Cash, end of year	\$ _____ 1,479

See accompanying notes to general purpose financial statements.

Township of Lafayette

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP**

Lafayette Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Gratiot County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5; these financial statements present all financial activities of the Township of Lafayette. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the combined financial statements of Lafayette Township contain all the funds and account groups controlled by the Township Board.

2. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account group reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUND

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

FIDUCIARY FUND TYPES

- a. Nonexpendable Trust Fund (Cemetery Endowment) - The Trust Fund is used to account for assets held by the Township in a trustee capacity for individuals and other funds. The Cemetery Endowment Fund is a nonexpendable trust fund and is accounted for essentially in the same manner as a proprietary fund.
- b. Agency Fund (Current Tax Collections) - The Agency Fund is used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Nonexpendable Trust Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the Balance Sheet. Nonexpendable Trust Fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

There is no measurement focus for agency funds since assets equal liabilities.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., income taxes, sales taxes, Act 51 funds), licenses, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

The Nonexpendable Trust Fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and the expenses are recognized when they are incurred.

3. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Budgets and Budgetary Accounting - continued

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. There were no amendments to the originally adopted budget.

4. Cash

Cash consists of checking, general savings, and money market savings accounts.

5. Investments

Investments are recorded at cost, which approximates market value. Investments consist of certificates of deposit with an original maturity of greater than 90 days.

6. Property Tax

Lafayette Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Gratiot County Treasurer on March 1. The Gratiot County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2004, the Township levied .9614 and 2.4910 mills per \$1,000 of assessed valuation for general governmental services and road and bridges, respectively. The total taxable value for the 2003 levy for property within the Township was \$21,781,198.

7. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Fixed Assets and Long-Term Liabilities - continued

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, streets and sidewalks, and drainage systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group not in the governmental funds.

8. Comparative Data

Comparative data has not been presented in the financial statements due to the Township's requirement to prepare audited financial statements only once every two (2) years.

9. Total Columns on Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE C: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.

Township of Lafayette

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE C: CASH AND INVESTMENTS - CONTINUED**

5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Checking accounts	\$ 39,001	\$ 39,474
Savings accounts	<u>105,985</u>	<u>105,985</u>
	144,986	145,459
Investments		
Certificate of deposit	<u>60,662</u>	<u>60,662</u>
	<u>\$ 205,648</u>	<u>\$ 206,121</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were insured by the FDIC for \$137,994 and the amount of \$68,127 was uninsured.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General		Trust and Agency	
Current Tax		Current Tax	
Collections		Collections	
	<u>\$ 24,883</u>	General	<u>\$ 24,883</u>



Township of Lafayette

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE E: GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2004</u>
Land	\$ 11,950	\$ -	\$ -	\$ 11,950
Building	83,483	-	-	83,483
Equipment	<u>11,554</u>	<u>-</u>	<u>-</u>	<u>11,554</u>
	<u>\$ 106,987</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 106,987</u>

**NOTE F: RETIREMENT PLAN**

The Township of Lafayette is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Lafayette Pension Plan is a money purchase defined contribution pension benefit plan. During the year ended March 31, 2004, the Township of Lafayette made contributions for all participating employees of 7% per employee, with the participating employees required to contribute 7% each.

All members of the Township Board and Cemetery maintenance employees are eligible to participate in the plan. All eligible employees participate in the plan. There were no cemetery maintenance employees during the year ended March 31, 2004. The contributions fund the premiums for Individual Deferred Annuity policies with The Manufacturers Life Insurance Company.

For the year ended March 31, 2004, the Township of Lafayette had a total payroll of \$29,610. The Township of Lafayette Retirement Plan covered a payroll of \$28,090. The Township of Lafayette paid contributions to the retirement plan in the amount of \$1,966.

**NOTE G: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Municipal Liability and Property Pool with other municipalities for property, auto, liability, public official bonding, and errors and omissions losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

**NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budget of the Township has been adopted at the activity level.

Township of Lafayette

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED**

During the year ended March 31, 2004, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General government			
Board of Trustees	\$ 3,000	\$ 3,058	\$ 58
Supervisor	9,540	9,688	148
Other	9,700	10,844	1,144
Public Safety			
Fire protection	19,200	20,019	819
Public Works			
Highways, streets, and bridges	57,917	60,942	3,025

**NOTE I: GASB STATEMENT NO. 34**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB No. 34 must be implemented by the Township of Lafayette no later than the fiscal year ending March 31, 2006; the retroactive reporting of infrastructures, if any, is optional, but if implemented, it must be implemented no later than the year ending March 31, 2010.

## **SUPPLEMENTAL FINANCIAL INFORMATION**

Township of Lafayette

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Current tax levy			
General	\$ 21,000	\$ 20,938	\$( 62 )
Roads and bridges	54,000	54,255	255
Administrative fees and penalties	<u>5,900</u>	<u>3,849</u>	<u>( 2,051 )</u>
Total taxes	80,900	79,042	( 1,858 )
Intergovernmental - State			
State shared revenue			
Sales tax	45,000	59,865	14,865
Charges for services			
Fire and rescue runs	3,000	3,000	-0-
Cemetery lots	<u>500</u>	<u>1,700</u>	<u>1,200</u>
Total charges for services	3,500	4,700	1,200
Interest and rents			
Interest	3,000	1,678	( 1,322 )
Rents	<u>350</u>	<u>300</u>	<u>( 50 )</u>
Total interest and rents	3,350	1,978	( 1,372 )
Other			
Other	<u>500</u>	<u>312</u>	<u>( 188 )</u>
TOTAL REVENUES	133,250	145,897	12,647
EXPENDITURES			
General government			
Board of Trustees			
Salaries	3,000	3,058	( 58 )
Board of Review			
Salaries	700	646	54
Supervisor			
Salaries		8,761	
Office supplies	<u></u>	<u>927</u>	<u></u>
Total supervisor	9,540	9,688	( 148 )

Township of Lafayette

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
General government - continued			
Elections			
Publishing and printing	\$ 700	\$ -	\$ 700
Clerk			
Salaries		7,379	
Office supplies		2,087	
Miscellaneous		130	
Total clerk	10,045	9,596	449
Treasurer			
Salaries		8,625	
Office supplies		1,623	
Total treasurer	10,555	10,248	307
Buildings and grounds			
Salaries		583	
Repairs and maintenance		190	
Utilities		847	
Total buildings and grounds	2,500	1,620	880
Cemetery			
Contractual services		5,079	
Capital outlay		6,895	
Total cemetery	18,000	11,974	6,026
Other			
Insurance		4,717	
Pension contribution and fees		1,966	
Payroll taxes		1,075	
Other		3,086	
Total other	9,700	10,844	( 1,144 )
Total general government	64,740	57,674	7,066
Public safety			
Fire protection	19,200	20,019	( 819 )
Public works			
Highways, streets, and bridges			
Repairs and maintenance	57,917	60,942	( 3,025 )

Township of Lafayette

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
Public works - continued			
Drains			
Drains at large	\$ 3,000	\$ 1,948	\$ 1,052
Total public woks	<u>60,917</u>	<u>62,890</u>	<u>( 1,973 )</u>
TOTAL EXPENDITURES	<u>144,857</u>	<u>140,583</u>	<u>4,274</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	( 11,607 )	5,314	16,921
Fund balance, beginning of year	<u>204,250</u>	<u>204,250</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 192,643</u>	<u>\$ 209,564</u>	<u>\$ 16,921</u>

Township of Lafayette  
Trust and Agency Funds  
COMBINING BALANCE SHEET  
March 31, 2004

	Non- expendable <u>Trust Fund</u> <u>Cemetery</u> <u>Endowment</u>	<u>Agency Fund</u> <u>Current Tax</u> <u>Collections</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,479	\$ 24,883	\$ 26,362
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	\$ -	\$ 24,883	\$ 24,883
FUND BALANCE			
Reserved for cemetery care	1,479	-	1,479
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,479	\$ 24,883	\$ 26,362

Township of Lafayette

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

Current Tax Collections Fund

	Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2004</u>
ASSETS				
Cash	<u>\$ 69,706</u>	<u>\$ 486,776</u>	<u>\$ 531,599</u>	<u>\$ 24,883</u>
LIABILITIES				
Due to other funds				
General	\$ 69,706	\$ 70,623	\$ 115,446	\$ 24,883
Due to other governmental units				
County				
State Education Tax	-	98,907	98,907	-0-
Gratiot-Isabella RESD	-	81,058	81,058	-0-
Other	-	146,361	146,361	-0-
Breckenridge Schools	-	67,943	67,943	-0-
Merrill Schools	-	5,994	5,994	-0-
Ithaca Schools	-	13,108	13,108	-0-
Saginaw County ISD	-	1,522	1,522	-0-
Due to others	<u>-</u>	<u>1,260</u>	<u>1,260</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>\$ 69,706</u>	<u>\$ 486,776</u>	<u>\$ 531,599</u>	<u>\$ 24,883</u>



Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Members of the Township Board  
Township of Lafayette  
Breckenridge, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Lafayette, Michigan for the year ended March 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the internal control structure and our discussions with management.

1. The Township should review the listing of general fixed assets for completeness and incorporate estimated useful lives for each general fixed asset listed.

During our analysis of general fixed assets activity for the year, we noted that although the Township has maintained historical cost information for general fixed assets, estimated useful lives for each general fixed asset have not been assigned.

The Township is required to implement GASB Statement No. 34 no later than fiscal year ending March 31, 2006, which will require government-wide financial statements prepared on the full accrual basis of accounting. Under the full accrual basis of accounting, capital assets are depreciated over their estimated useful lives. To the extent possible, the depreciation expense should be allocated to the appropriate function of the government. In order to calculate beginning accumulated depreciation for capital assets for the fiscal year ending March 31, 2006, estimated useful lives will need to be assigned to the capital assets.

We suggest the Township review their listing of capital assets to assure that the listing is complete and accurate and assign estimated useful lives, where applicable. Such information should then be used to calculate accumulated depreciation for the capital assets through March 31, 2005. Compiling this data related to the Township's capital assets will facilitate the implementation of GASB Statement No. 34.

2. The Township should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Township Board provide a greater review and supervision of employee functions and procedures.

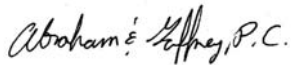
3. Budgets should be monitored and amended when necessary.

As noted in Note H of the annual financial statements, several functional classifications exceeded the amounts appropriated in the General Fund for the year ended March 31, 2004. The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for the General Fund, and shall not incur expenditures in excess of the amount appropriated.

We recommend the Township periodically monitor the adopted budget for the General Fund and amend the budget as necessary throughout the year to alleviate unfavorable budget variances.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated June 18, 2004.

This report is intended solely for the use of management and the Township Board of the Township of Lafayette, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 18, 2004